



Petroleum Market Report

January 24, 2000

Energy Information Administration
Office of Oil & Gas

MARKET SUMMARY

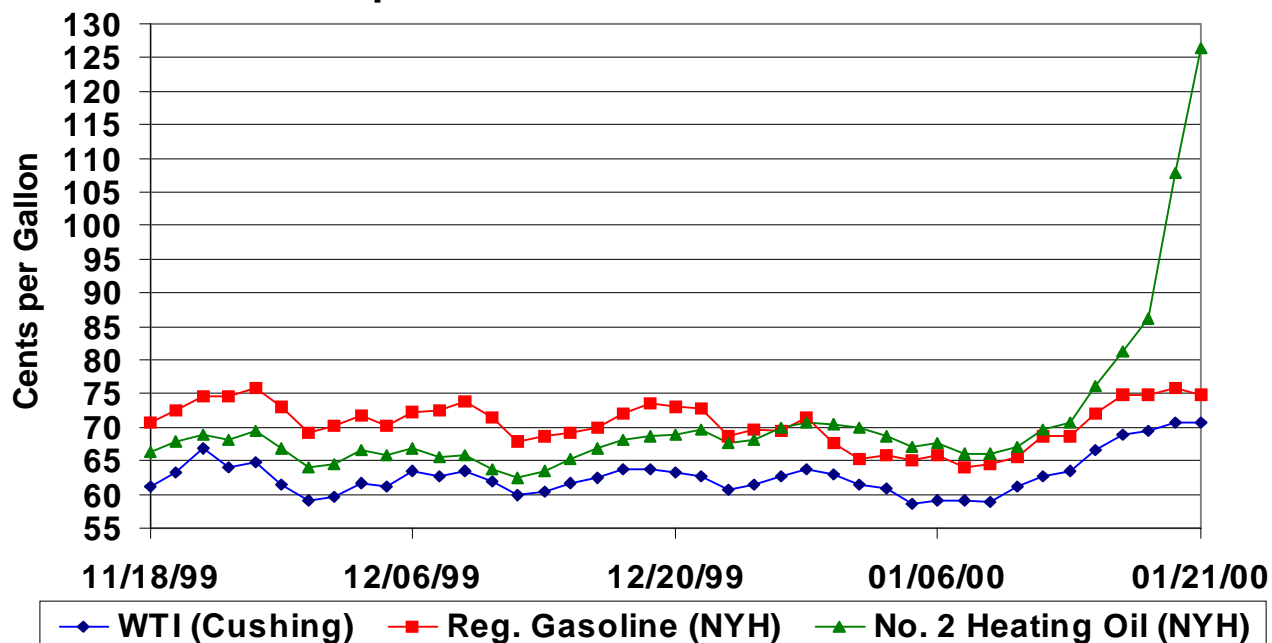
Spot heating oil prices in the northeastern United States jumped last week to their highest level ever, driven by a combination of cold weather, low inventories, refinery problems, and rising crude oil prices. The New York Harbor spot market saw a sudden jump in demand due to a winter cold front, while supply was limited by low stocks and a crude unit outage at a critical Northeast refinery. Meanwhile, world crude oil prices extended recent gains, on continued speculation about the expected extension of output cuts by OPEC and other exporters.

Crude oil - WTI spot and futures prices set successive post-Persian Gulf War highs each day last week, pushed upward by talk of output cut extensions, and pulled by spiking heating oil prices. Following the previous week's finish at a 9-year high over \$28 per barrel, prices moved steadily higher each day, barely failing to surpass \$30 by week's end. Influences included comments by OPEC members on extension of cuts to September or longer, expiration of the February NYMEX contract on Thursday, and an IEA report citing a continuing global shortfall.

Gasoline - markets were relatively uneventful, with prices even falling back on Wednesday and Friday. Seasonal demand weakness driving a second straight weekly stockbuild kept buying interest minimal.

Distillate - prices were by far the center of attention, as New York spot markets saw a jump of over 50 cents in four days. In addition to incremental heating demand due to weather, prices reacted to the sudden entrance into petroleum markets of commercial and industrial natural gas customers whose supplies were cut off due to "interruptible" supply contracts. Hope for eventual relief was reported in the form of import cargoes of gasoil from Russia, but their arrival was estimated to be weeks away.

U.S. Spot Crude Oil and Product Prices



CHRONOLOGY OF RECENT MARKET EVENTS

- 1/21 - mixed** - Northeast spot heating oil prices continued to shoot upward, jumping to an all-time high of \$1.26 per gallon, and pulling NYMEX February futures over 90 cents. Crude oil prices inched higher, while gasoline dropped slightly as traders digested a second straight weekly stockbuild.
- 1/20 - rising** - spot New York Harbor heating oil prices shot up by over 20 cents to nearly \$1.08 per gallon, its highest level since December 1989, as product availability was squeezed by cold weather, low stocks, and a crude unit outage at Sunoco's Marcus Hook refinery. NYMEX February crude oil neared \$30 per barrel before expiring, supported by an IEA report citing a world supply shortfall.
- 1/19 - mixed** - crude oil and distillate prices continued to rise, while gasoline slipped slightly after two days of increases. WTI reached another 9-year high, as did New York Harbor spot heating oil, pushed by a combination of OPEC comments on output cut extension, cold weather, and expectations for a large distillate stockdraw in the holiday-delayed API and EIA weekly reports.
- 1/18 - rising** - prices again rose sharply across the board, with spot WTI closing near \$29 per barrel, its highest level since January 16, 1991. Speculation over possible output cut extensions remained the major factor, aided by a U.N. report expecting a decline in Iraqi sales, problems at refineries in Delaware and Venezuela, and forecast colder weather in the northeast in the coming weeks.
- 1/14 - rising** - all prices jumped sharply in response to an official recommendation from OPEC's Ministerial Monitoring Committee that output cuts currently in place be extended beyond March. NYMEX crude oil hit a new 9-year high at \$28.02 per barrel in shortened pre-holiday trading.
- 1/13 - rising** - crude oil and distillate prices continued upward, though slowing from Wednesday's strong gains, while gasoline prices stalled. Discussion of output cut extensions remained dominant, with OPEC's Secretary General citing an "emerging consensus" to extend cuts through the year, but Venezuela's oil minister expressing reservations.
- 1/12 - rising** - spot and futures prices climbed for a second day, as markets continued to focus on the prospects for ongoing output restrictions for OPEC and other large exporters. Strong stockbuilds reported by both API and EIA were generally seen as within expectations, due to year-end inventory management and the residual effects of Y2K prestocking.
- 1/11 - rising** - prices rose solidly marketwide for the first time in two weeks, driven by reported statements from Iran, Venezuela, and Saudi Arabia favoring output cut extensions. Products rose less than crude, hampered by expected impacts from pre-Y2K stockpiling by marketers and consumers.
- 1/10 - mixed** - most prices closed higher after a late surge, prompted by further comments from major producers on the possible extension of output cuts beyond March. Markets had begun the day focusing on bearish factors, including decreased output cut compliance and excess Y2K stocking.